

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON AGRICULTURE, LIVESTOCK AND IRRIGATION

Call to Order: By **SEN. REINY JABS**, on January 11, 1999 at 3:00 P.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Reiny Jabs, Chairman (R)
Sen. Walter McNutt, Vice Chairman (R)
Sen. Ken Mesaros (R)
Sen. Ric Holden (R)
Sen. Tom A. Beck (R)
Sen. Gerry Devlin (R)
Sen. Pete Ekegren (R)
Sen. Mike Halligan (D)
Sen. Greg Jergeson (D)
Sen. Jon Tester (D)
Sen. Linda Nelson (D)

Members Excused: None.

Members Absent: None.

Staff Present: Doug Sternberg, Legislative Branch
Carol Masolo, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 141, 1/5/99, SB 7, 1/5/99
Executive Action: SB 147, SB 141

HEARING ON SB 141

Sponsor: _____ **SENATOR MACK COLE, SD 4, Hysham**

Proponents: **Ralph Peck, Director, Montana Dept. of Agriculture**
Mark Simonich, Dept. of Environmental Quality

**Jack Stultz, Dept. of Natural Resources and
Conservation**

Gloria Paladichuk, Richland Economic Development

Bob Stevens, Montana Grain Growers Assoc.

Farm Bureau

Farmers Union

John Bloomquist, Montana Stockgrowers Assoc.

Mike Murphy, Montana Water Resources Assoc.

Opponents: None

Opening Statement by Sponsor: SENATOR MACK COLE, SD 4, Hysham
declared **SB 141** is a straight forward bill which rectifies a technical problem with the Montana Major Facility Siting Act. When originally passed in 1985, the Major Facility Siting Act was intended to deal with regulatory issues relating to the energy industry - power plants, gas, pipelines. The act was also to regulate the long distance movement of water which was used for the purposes such as interstate movement of coal slurry through pipe lines. Unfortunately, based on complicated interpretation by the Montana Dept. of Environmental Quality, the Act also inadvertently regulates pipelines used in agricultural irrigation projects under the definition of facility, if the pipeline is greater than 17" inside diameter and 30 miles in length. This interpretation has the potential to greatly limit the development of agriculture irrigation projects and as you see in the bill itself, we are removing pipelines which are used for agriculture purposes out of the Major Facility Siting Act.

Proponents' Testimony:

Ralph Peck, Director, Montana Dept. of Agriculture, SENATOR COLE
outlined the purposes of SB 141 very aptly. It's really to eliminate producers' fears about unnecessary government regulation of irrigation projects under the Major Facility Siting Act and to reflect language the was intended by the original sponsors of the bill. Mr. Peck read testimony which is attached as **EXHIBIT (ags07a01)**.

Mark Simonich, Director, Montana Dept. of Environmental Quality,
It is not the Dept.'s intent to be regulating irrigation pipe lines, but the way the language in the statute reads, it may well find itself in that position. This past year we gave it long, careful consideration for a project being proposed in eastern Montana to make sure that under the law we didn't need to be regulating that pipeline. We think rather than go through those kinds of hoops every time an irrigation project is proposed, it

would be safest and cleanest to change the language. DEQ stands to support this bill.

Jack Stultz, Division Administrator, Water Resources Division, Department of Natural Resources & Conservation. The Department does support passage of **SB 141**. We're charged with the responsibility of overseeing the Montana Water Use Act. Under the Water Use Act, a larger irrigation project is likely to end up having to obtain either a new water right or a change of an existing water right and that requires a statutory review. The statutory review involves a public notice, an opportunity for objections and it doesn't involve an environmental review either in an environmental assessment or an environmental impact statement.

There is a potential for what might be duplicate regulatory involvement in a project like this if it did also have to go through the Major Facility Siting Act. As Director Simonich just mentioned, it did require fairly intense review of a Major Facility Siting Act with a project out by Sidney just this year. It was clear that it was not the intent of the Major Facility Siting Act to regulate pipelines that just carried water for irrigation. Nonetheless, it is difficult for someone to go forward with a project like that without more assurance, and so it seems to us that it's better to make it explicit within the law rather than having it open for interpretation later on by the courts. In that case the project was actually slightly downsized in order to make sure that it didn't raise a question about coverage under both acts. We do urge you to recommend passage of the bill. Testimony passed out. See **EXHIBIT (ags07a02)**.

Gloria Paladichuk, Richland Economic Development of Richmond County. We would like to go on record of supporting **SB 141** to change the Major Facility Siting Act. The original intent of legislation was not to stifle large irrigation projects. Without **SB 141** in place, large irrigation projects would be subjected to burdensome study costs which were never intended if the water project was an irrigation project. We urge a do pass recommendation for this bill which will enable agricultural development.

Bob Stevens, Montana Grain Growers, Montana Farm Bureau, Montana Farmers Union. We here to support **SB 141**.

John Bloomquist, Montana Stock Growers Assoc. At the Montana Stockgrowers convention in December, they took a look at the proposal of expanding irrigated agriculture and some of the interpretation of the Major Facility Siting Act is a big impact

on some of those developments. They passed a resolution which would support passage of **SB 141**.

Mike Murphy, Montana Water Resources Assoc. For the reasons that you've heard, the Association does go on record supporting **SB 141**. We do feel that it is consistent with intent. We also see it as being consistent with our efforts to increase economic development through irrigation in the state.

Questions from the Committee and Responses:

SENATOR HALLIGAN When you use the word exclusively, it definitely limits it to the irrigation purpose. Is there ever a situation where you want it for municipal use? I'm thinking of a large project on the Rocky Boy. You're never going to use it for drinking. It's coming out of the stream untreated and it's going for several miles. I'm assuming that you're never going to want to use it for anything else but that. It won't stop along the way at somebody's farmhouse and be tapped in or something like that. I want to make sure you've contemplated that.

SENATOR JERGESON Is this language clear enough or strong enough that such a pipeline that might intersect a pipeline hauling water to Phoenix would not be covered by this exception. It says it's within the boundaries of the state but we could build a pipeline within the boundaries of the state and somehow intersect it with somebody sucking our water out of the state for Phoenix. Would that be covered by this?

Jack Stultz I'm not sure how the Major Facility Siting Act would respond to that, but the Water Use Act does require that a larger pipeline taking more than 5.5 cubic feet per second or more than 4000 acre feet out of the State of Montana requires a very extensive review, including interest criteria and confirmation by the Legislature of the State of Montana before that could happen.

Mark Simonich It would be our anticipation that these types of projects would be agriculture oriented projects and fully within the state of Montana and would not be something that would be used for transporting water to another state for agriculture or for another purpose. If that were to happen and it were to tie in to some of the pipelines, I anticipate some study to be done as well as probably a variety of permits that would be necessary and probably changes under the Water Use Act in terms of the place and type of use.

SENATOR DEVLIN On the question about water for drinking, would that be included in this or should it be amended into it.

Mark Simonich You could amend it into there. Again we took the approach with the Dept. of Agriculture that what you're really focusing on is an agricultural platform. The pipeline **SENATOR HALLIGAN** was speaking of is one that is undergoing development. They're looking at trying to develop as part of a Federal Indian Water Rights settlement.

Potentially that pipeline would be used for more than just drinking water because it is a water right settlement and it would be providing water to the Rocky Boy Tribe for a variety of purposes. In addition, they're looking to try and put together a large project that may serve multiple communities from a municipal water supply. That particular project, because I expect there will be some federal money involved, may require an EIS under the National Environmental Policy Act, so you may end up accomplishing the same thing you would under Facility Siting simply because of federal requirements.

I guess I would think at this point in time that, when you're targeting agriculture purposes in the building of the pipeline, it would probably be simplest to keep the bill the way it is. I'm not aware of, other than the Rocky Boy, any other particular pipelines at this point in time that would of this magnitude that would probably get drawn in under the Major Facility Siting Act. We'd be happy to look at that, though, if the committee would desire.

SENATOR BECK Do you know of any municipalities that are under the Major Facility Siting Act for the development of the water system right now?

Mark Simonich No, sir.

SENATOR BECK And it takes quite an expensive project to get under that. Isn't that somewhat on the expense of the project?

Mark Simonich It's partly expense but partly it's based on the size. It was determined early on that it would be pipelines 17" or large in diameter and over 30 miles long. That particular size of pipeline was targeted primarily because they tried to look at the collection systems of pipeline used within oil fields just for local collection purposes. So as not include something of that nature, they went for something larger. Potentially if a community is looking at bringing in water from a fair distance and bringing in a large supply of water, the municipality probably could get caught in the Facility Siting Act. I'm not aware of a situation where that has occurred today.

SENATOR TESTER There are no pipelines that are 17" and over 30 miles long at this point in time?

Mark Simonich If I can rephrase your question, to my knowledge there are no proposed pipelines that are over 17" in diameter, over 30 miles long that are being proposed for agriculture purposes in the state at this time.

SENATOR TESTER Are there any existing structures that meet that criteria?

Mark Simonich There may be existing structures, but again, if they are existing, they would not be subject to new regulation under the Facility Siting Act. This is targeted to the development of new structures.

SENATOR MCNUTT To your knowledge, was there a project proposed that would have invoked this Major Facility Siting Act, possibly the West Crane project in Sidney.

Mark Simonich The West Crane project is the project that caused us to begin looking at this and caused the Dept. of Agriculture, at least partially, to consider this legislation. Director Peck, Director Clinch, myself and the Governor all had opportunity to go out and tour the area last year and look at the proposal. That's when the question started being raised whether it would be subject to Facility Siting. It's all over 30 miles long and a big part of that is over 17". We started going through that complicated interpretation that **SENATOR COLE** talked about. We ultimately decided that because piece by piece it didn't fit the criteria, it didn't meet the requirements of this, it did raise the question for future projects.

Tape : 1; Side : A; Approx. Time: 3.20)

Closing by Sponsor:

SENATOR COLE hoped that all of the questions the committee had have been adequately answered. I think it is something that would certainly benefit agriculture. We have the over 4 years of work on the Major Facility Siting Act. It was not intended to have agriculture pipelines as part of the Major Facility Siting Act. We were looking primarily at slurry lines, oil and gas lines. Hopefully you can pass this bill out.

HEARING ON SB 7

CHAIRMAN JABS turned the chair over to **VICE CHAIRMAN MCNUTT**.

Sponsor: SENATOR REINY JABS, SD 3, HARDIN

Proponents: Jeff Hagener, Trust Land Administration, DNRC
Kevin Chappell, Dept. of Natural Resources and
Conservation

Opponents: None

Opening Statement by Sponsor:

SENATOR REINY JABS, SD 3, Big Horn and southern Rosebud, said **SB 7** has two parts to it. The first part is to revise a method of leasing agriculture land requiring an guarantee for bids under 1/3 crop share. The second part is allowing reinstatement of a lease canceled due to nonpayment.

As you know, all state agriculture lands are leased on a crop share basis. Their normal share rates kind of recognize the industry. For example, sugar beets is a quarter, corn is a quarter and grain is a third. Most of your crops grown on state land are grain crops, which generally give a normal 1/3 on crop share. Approximately 300 agriculture leases are renewed each year. Of these 300 there are around 15 - 30 of them that are bid higher than the 1/3 share. This bill requires that bidders that bid over 1/3 crop share guarantee a minimum payment. We must face the fact that crop share agreements are strictly a trust me basis.

On open competitor bidding, this will help eliminate bidders that bid very high to secure the lease, while it's difficult for the department to confirm that full payment is being submitted. It's also intended to reduce excessive spike bids as it forces bidders to guarantee a minimum rental.

The second part of this bill allows reinstatement of a lease due to nonpayment. The present statute states when a rental is paid on crop share or cash basis, the rental is due on November 15. A penalty is imposed and if rent and penalty is not paid on December 31 the lease is canceled and then rebid. The new part which has been added would allow reinstatement of lease upon payment of rent, fine and penalty. That part is on page 3, line 7, which is your reinstatement of lease and the first part is on page 2, line 1, which gives a minimum bid.

Proponents' Testimony:

Jeff Hagener, Trust Land Administrator for the Dept. of Natural Resources and Conservation, SENATOR JABS has pretty adequately described what this bill does. We're trying to address two

situations where we currently have problems in our rather costly administration and we have some hard feelings on several issues. The first one is as was described, when we get into a situation where we have competitive bidding, the bidding seats have been going higher in recent years. We're getting more people who are bidding forty to fifty percent on a crop share. The normal crop shares we have across the state are at 25 percent to 33, or a quarter to a third, which is the normal you find out there from most evidence. What happens in those cases is either a lessee has been bid up and he has to meet that high amount, or if it's an open competitive bid, we get a lessee that bids 45% or 50% on a crop share. It's extremely difficult, the way we have our leases, to manage to find out exactly what they're paying. It's really not a level playing field. We're required to take the highest crop share bid, even though we know we may have a real good lessee out there right now that's paying us a good share at say 25% - 26%. Somebody outbids him at 40%, we're obligated to take that 40% and a lot of times we may never get anywhere near that 40%. We may not get the 25% we got from the previous lessee.

As was expressed, this only affects a very small amount of lessees. We only have about 10 to 15 leases that are bid higher than the 1/3 crop share each year, so that's what would be impacted. On those that are a renewal, the renewal provisions still stay in place that if a lessee is bid and he's required to meet a higher bid than a third, which would include also the cash minimum, he has the right to go to the Competitive Bid Hearing Process where we hear all those issues. If the decision by the Director and the Board is to reduce that less than 1/3, he would not be obligated to pay that cash.

Right now, in the statutes for nonpayment of rental, we are obligated to out and out cancel the lease. There are no provisions for reinstatement. For things such as overgrazing, illegal subleasing, virtually anything else, we have the right to cancel the lease but we may also reinstate it upon payment of a fine. That's what this is modeled after. This allows us, in cases again where we have a good lessee that did not make their payment in time for whatever reason, to reinstate that lease on payment of a fine to the lease to the state and then we could recover that. The fine is to recover what the likely difference would be when we go out for competitive bid. We will get a higher bid which would mean a higher return to the state. We feel the fine is necessary to cover that and it's voluntary, so if a lessee does not choose to meet that avenue he does not have to do so.

What both of these do is save us a great deal of administration. When we cancel a lease it requires that we go through a process

of improvement settlements. Sometimes those take two or three years before we can get improvement settlements cleared up and we can issue a new lease to a new party. During that interim, very often, you have problem with weeds coming and what not. We don't get any crop share or maybe we're having a problem with trespass livestock. I urge your support for this bill.

Bob Stevens, Montana Grain Growers, Montana Farm Bureau, Montana Farmers Union We think this bill will help spike bids. Like Mr. Hegener said, there aren't very many of them. You also have the cancellation reinstatement in there that we think is a good thing. In case a farmer gets into a little bit of trouble, he can get his land back within 30 days.

Questions from Committee Members and Responses:

SENATOR BECK inquired of Jeff Hagener. You're talking about leases that are over and above the normal 25 or 33%. This could be a lease where the state gets 40% share of the crop. If I understand correctly, you want a minimum payment of \$15 per acre. Don't you get that on 40% of the crop?

Jeff Hagener replied in some cases we do and in other cases, no. We have 50% bids that I get \$5.00 per acre.

SENATOR BECK You get \$5.00 per acre but if it hadn't gone to the 50% and stayed at a third, you were getting about \$3.00 an acre or \$2.00 an acre.

Jeff Hagener Again, that becomes part of an issue of who's the lessee and who's treating it that way. Typically where we've had long term lessees, that's not a problem. They may be at a third and we feel we're getting an honest share. But what happens is that you have a neighbor or somebody that isn't happy with that person and they bid them up to 40% or 50% share and they never intend to pay that amount. But the lessee, in order to keep his lease, has to meet that high bid and he's forced to pay a 40% or 50% when he may have been giving us an honest 25 or 1/3 in the past. If it's an open competitive bid it's put on a fair playing field, because the other issue we have is people are putting in a 50% share on some of them, and another lessee puts in a third. We're obligated to take that 50%, even though we know this lessee has been a good return to us. He's always been fair to us and the other guy we're always questioning.

SENATOR BECK But he has to make the payment or he's going to lose the lease. I understand what you're saying. This is

somewhat of a backup saying if you will pay \$15 an acre, then we will not give it to the guy on a 50% share that might pay you \$45 an acre. That might calculate out to that?

Jeff Hagener It's not forcing somebody. There's two situations, one is an open competitive bid that's a vacant tract of land we have. Let's say you and SENATOR DEVLIN want to bid on it. If either of you is going to bid over a third, in addition to that third you need to also say okay, with that third I'm willing to guarantee there will be \$15 per acre. Then we know that because you bid a third and he bids 40%, 40% is what we take. But we're looking at the dollars, 40% is a lot different dollars than the guy with the third.

SENATOR BECK So you're taking the third plus the \$15.

Jeff Hagener No, it's one or the other. It's a minimum of \$15 or the third, whichever is higher.

SENATOR BECK Let's go to the other one. Somebody is losing their lease because they went over. I like the idea, I just think maybe, how did you come up with the \$500 penalty?

Jeff Hagener Typically, the most common ones have to do with subleasing issues like on grazing. Our average grazing lease, the average one time rental, is around \$500, a little higher than that. The law allows up to three times but the board has established they prefer to go the one time. Generally on agricultural lands our average lease again is probably more in the \$1000 range per year. If we were to take that lease and put it up for competitive bid, we are likely to get a higher bid than what may be there now. Montrust, which has been a group which has sued us over several issues on rental rates and what not, do not oppose this as long as there is something there that they're getting something for the trust to compensate, otherwise they think they might get a higher rental.

SENATOR BECK If you did lease it back out, the guy still maybe might have first right of refusal or would have to meet that new lease price. Sometimes it doesn't go up too, I would think sometimes it comes in at the minimum bid just like any other bid. I thought the \$500 was a little strong, I thought maybe \$250 as a penalty figure would be more reasonable. I'm just throwing it out.

Jeff Hagener My response would be probably our average rental is closer to \$500.

SENATOR DEVLIN Where did you come up with 3 times the annual rental. Is there some criteria for that?

Jeff Hagener I don't have the citation right offhand, but if you look in the other statutes that allows us to reinstate leases, for over grazing or subleasing, that is the standard provision that's been there ever since I've been involved with it.

SENATOR DEVLIN That's when it's been abused or subleased.

Jeff Hagener Yes, It may not have been abused if it was a case of subleasing or illegal breaking or something of that nature, but that is a standard provision. Typically, the land board requires us to charge one time the annual rental.

SENATOR DEVLIN When you're talking about \$15 an acre, say it was leased a whole section, 640 acres. At that price, that's quite a check. Do you normally get that much average out of your ground?

Jeff Hagener On our overall leases, all leases that we currently have in ag, our overall average comes out to be about 26.5%, which equates to about \$15.60 per acre. That's at the 26.5. Dryland, our average that we get overall is around \$14 per acre again at the average of 26%. We feel very confident that the \$15 is probably low for what is the normal average for a third crop share out there across the entire state.

SENATOR DEVLIN Could you give the committee a listing of what your average leases are grazing, cultivation, and so on? Do you have anything like that easy to get?

Jeff Hagener Yes, we have that information. Realize that only about 5% of our total leases have any competitive bids on them at all. The majority, 95%, are at the minimum grazing rental which is set by statute or the 25% crop share. It's only 5% that are actually higher.

SENATOR DEVLIN Did you bring anything like this in a couple of years ago?

Jeff Hagener We brought in a bill a couple of years ago which was to convert all of our leases to cash rental.

SENATOR DEVLIN It didn't address this at all?

Jeff Hagener It did have the same provision for the reinstatement but it did not have this issue. It had a few other things in there that **REP. KNOX**, who was carrying that bill

wanted, the main impetus of that was to convert all of our leases to cash leasing.

SENATOR DEVLIN These leases that go over the 30%, how many did you say you have in the state?

Jeff Hagener It usually averages between 10 to 15 each year. If you take that over ten years which is all of our renewals you're probably 100 to 150 total. All leases are on a 10 year basis.

SENATOR NELSON Are you concerned at all that in some instances this could bring the payment down.

Jeff Hagener No, we are not concerned. We believe because it's only affecting only a very small percentage. That percentage seems to be the ones we have more concerns and problems about getting it.

SENATOR EKEGREN If you have some people that you're concerned with and don't think are paying their fair due, why continue with them. I've never known a state organization that wouldn't know how much that person is grazing and what their percentage would be. If you've got people out there you don't trust, why do business with them.

Jeff Hagener To answer your question first off, it is difficult to follow up and track exactly. Most people farm the land in conjunction with their private land and so a lot of it gets mixed. They go to the elevator and they say this truck is the state lands, the next five are my private land. They'll put part of theirs in a storage bin and we don't know specifically if that's state land grain, so it is hard to track specifically and find out on each and every one of those. With the FSA, which used to be the ASCS, you can do some of that tracking but again you can't follow it down to the very specific. In cases where we do know that someone has abused us and we can clearly point to that, we will move for cancellation of the lease. It does obligate them under the lease to pay that fair share.

SENATOR TESTER With crop insurance the way it is now, I think it would be much easier to trace than what it used to be 20 years ago, because everyone has to keep their units separate if they're going to have crop insurance. You have a person that's had a piece of state land for 25 - 30 years. I come in and bid against it, I bid 40%. I'm required to pay 40% or \$15/acre, whichever is greater. In that bidding process, it's my understanding that the original lease holder has the opportunity to come in and meet that bid, is that correct? And then negotiate that bid down.

Jeff Hagener It's not really a negotiation. He has the opportunity to come in and state his case before my director and eventually before the land board to state the reasons why he doesn't think that high a bid is legitimate.

SENATOR TESTER Typically are they negotiated down? Typically do the reasons they give end up with lower than what was originally bid?

Jeff Hagener In going through those for 10 or 11 years now, I'd say about half of them get some reduction.

SENATOR TESTER If a reduction is given, does the \$15.00 minimum stay in effect that was actually initiated by the person who was doing the competitive bidding.

Jeff Hagener If the bid is reduced to less than $1/3$, no. If the bid were to stand at $1/3$ or higher, then they would be obligated to meet that cash minimum also.

SENATOR TESTER Don't you think that's going to put a lot of pressure on you folks to negotiate that down below $1/3$.

Jeff Hagener We deal with about 30 of those that come in every year, either for grazing or hay. I don't expect this will change much of that. I don't see much changing from that aspect of it.

SENATOR HOLDEN The way it is right now, if you have a poor year and don't have any crops, if you have drought you don't pay anything, is that right?

Jeff Hagener That is correct.

SENATOR HOLDEN Then if we adopt page 2, lines 1 and 2, you're going to get \$15/acre regardless what crop conditions are like in any given season. Is that right.

Jeff Hagener That is correct. My response to you is that the lessee can insure to cover any loss he has. We cannot cover that unless we were to get a larger appropriation that we would put in a half a million dollars to a million dollars to insure all of our crops. I'd like to also express, that \$15 number I gave, that is every acre for every year, that's an average so we're getting paid that right now.

SENATOR BECK You cannot insure your crops, but the person who has the lease can insure your share of the crop?

Jeff Hagener If I said that, no, I was incorrect. They can insure their portion of the crop, their 75%.

SENATOR BECK So they have to insure it high enough to get the \$15/acre out of that to pay.

Jeff Hagener The state could insure that, but because of the cost of premiums and what not, it has not been an item we've gone to appropriations for.

{Tape : 1; Side : A; Approx. Time : 3.44}

Closing by sponsor:

SENATOR JABS I'm very familiar with leasing. I've leased land from white people, I've leased land from Indians. I'm on the Crow Indian Reservation. Land is owned by individual Indians, allotted to the Indians. If any lot has over multiple errors it's managed by the Bureau of Indian Affairs, BIA. They went strictly to cash lease because this crop share lease has caused trouble and controversy. To give an idea of what their minimum is, every year you pay \$50 on irrigated land, the lessee pays the water plus he puts up a bond for the cost of the lease plus water. On dry land the lease is \$15/acre, you put up a bond plus it's in advance. It's paid the November before. For grazing land it's \$2.50 acre minimum.

I think people on state land have a pretty good deal in comparison to the leases there. With the BIA we pay this in advance so if you don't pay your lease, the BIA can cancel it. The federal statute says you pay a bond, either a security bond or you can get a letter of credit. I've put up a CD with the superintendent's name on it so if I default on payment he has the CD. **SENATOR HOLDEN** inquired about a bad year. There's two things, you can have hail insurance, of course, and now there is a government program where you can take insurance where you get an average. If you have crop failure you get paid an average year crop. There's a method of a protection there. In our area, you pay period, and that's it. To summarize it, I think this bill is fair to the State of Montana because it helps stabilize rentals and help keep it more fair, as fair to the people who have leases presently and everyone else who bids reasonably with good intention to pay their fair share. As I said before, this is kind of a trust me deal. Third, it's fair to the person who bids very high to encourage them to look twice to make sure the bid will pencil out. Part 2 gives present lessees options to regain their lease after it has been canceled upon payment of

rent, penalty and fines, thus saving delays and lots of work for the Dept. This has a positive fiscal note because I think they should get more money in these hot, high priced leases.

EXECUTIVE ACTION ON SB 147

Motion: **SEN. BECK** moved that **SB 147 DO PASS.**

SENATOR DEVLIN We decided we didn't need a fiscal note on this? It has been prepared but wasn't circulated. I've got a notation of 1-1/2 cents which we'd be raising. This would be \$65,700. Does anyone else have that figure?

SENATOR BECK It has to go to the vote of the people, though. They're probably not going to vote for this. It's quite an increase.

CHAIRMAN JABS Is this voted on by everybody or just people in a certain category?

SENATOR BECK I think this goes to the general public under CI-75.

SENATOR DEVLIN Is there a fiscal note came in on this? It says it has been prepared.

CHAIRMAN JABS We asked for one but have not received it. We will try to get one for second reading.

Vote: Motion **carried unanimously, 11-0.**

EXECUTIVE ACTION ON SB141

Motion: **SEN. DEVLIN** moved that **141 DO PASS.**

SENATOR BECK Question.

Vote: Motion **carried unanimously, 11-0.**

ADJOURNMENT

Adjournment: 4:01 P.M.

SEN. REINY JABS, Chairman

CAROL MASOLO, Secretary

RJ/CM

EXHIBIT (ags07aad)